

**TESTIMONY OF WILLIAM J. KEESE
CHAIRMAN
CALIFORNIA ENERGY COMMISSION**

**BEFORE THE
HOUSE ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND AIR QUALITY
MAY 3, 2001**

INTRODUCTION

Good morning Mr. Chairman, and members of the Subcommittee. I appreciate the opportunity to testify before you today on behalf of the California Energy Commission (CEC) on the "Electricity Emergency Relief Act."

I am pleased to report that since I last testified before you in March, the State of California has continued to work tirelessly to increase energy supplies, decrease energy demand and increase energy efficiency, and stabilize the California electricity market.

Since March, we approved another baseload power plant and construction has begun on yet another. In addition, we have approved six peaker plants under an expedited process, and four others are under review.

On the conservation side, last month the Governor announced \$800 million energy conservation plan, including incentives for

energy-efficient appliances, demand responsiveness, real-time meters, energy efficiency programs for schools and agriculture, and a statewide media campaign.

With regard to market stabilization, in April the Governor announced an agreement with Southern California Edison. It provides low-cost regulated power to the state for 10 years and provides for the sale of transmission lines to California, among other things. The agreement keeps the utility financially viable, transfers assets of value to California, and enables the State to make necessary transmission upgrades.

Finally, Californians have shown that they are willing to do their part. In March, consumers reduced their energy usage by 2,967 megawatts. This represents a 9.2 percent savings, exceeding our eight percent savings in February.

Mr. Chairman, Californians would appreciate the federal government's assistance in these efforts. The "Electricity Emergency Relief Act" sets forth some proposals. Although the CEC does not have regulatory jurisdiction over the subjects covered by the legislation, the CEC has been involved in the State's effort to solve many of the concerns the "Electricity Emergency Relief Act" attempts

to address, including transmission, conservation, preparation for emergency blackouts, hydroelectric power generation, and regional transmission organizations. Therefore, I will focus my comments on these areas.

SUMMARY

Mr. Chairman, as ambitious as the "Electricity Emergency Relief Act" appears to be, it does not actually provide much in terms of relief to California. Many of the proposals included in the legislation are already being implemented in California. Duplicative federal efforts could be harmful if not carefully coordinated.

The federal government could most meaningfully provide emergency relief to California in two ways. First, it could implement effective price mitigation to ensure that wholesale electricity prices are "just and reasonable." Second, it could promote greater conservation and energy efficiency. We are encouraged by the provision relating to conservation at federal facilities and we urge the Congress and the Administration to go further by emphasizing conservation and energy efficiency as much as it does energy production. Conservation and efficiency measures, such as tax

incentives for highly energy efficient air conditioners, can help in an emergency. For example, H.R. 778 by Representative Cunningham could save California up to 150 megawatts and reduce demand in the West as well as early as next summer.

My comments are as follows:

DISCUSSION

Section 103. Transmission Constraints Study

Section 103 requires the Secretary of Energy and the Federal Energy Regulatory Commission to jointly study electric power transmission congestion and report to Congress within 6 months their findings and recommendations to relieve congestion within various regions of the country and with Canadian and Mexican electric transmission systems. This section does not require coordination with state efforts.

This provision could be helpful from a national perspective in the long-term, but it could potentially conflict with and/or delay the implementation of essential transmission upgrades in California. The State has already identified constraints in California and efforts are underway to address them. In March of this year, the California

Public Utilities Commission issued a comprehensive 500-page report that identifies necessary transmission upgrades and includes a timetable for accomplishing them. Priority projects for this summer are underway.

Section 104. Path 15 Transmission Expansion

This section authorizes the Western Area Power Administration (WAPA) to remove the Path 15 constraint and authorizes \$220 million in funding therefor.

The State has already taken action to upgrade Path 15. In March, the California Public Utilities Commission ordered PG&E to seek authority to begin the project. However, the State would welcome WAPA's support in a coordinated effort on the Path 15 upgrade that is already underway.

Section 201. Emergency Conservation Awareness

This section requires the Secretary of Energy to conduct an emergency awareness campaign to promote conservation in areas where shortages are anticipated in consultation and coordination with affected States.

California has already launched an extensive public awareness campaign. This section could be helpful if the federal and State campaigns are coordinated to eliminate the possibility of conflicting messages.

Section 202. Preparation for Electricity Blackouts

Section 202 directs the Secretary of Energy, in consultation with the Federal Emergency Management Agency, to make preparations to handle emergency situations caused by blackouts. However, it does not require the Secretary to consult with or coordinate with affected states.

In California, we have already embarked on an extensive effort to handle emergency blackout situations. Therefore, we would want the federal government to be required to coordinate its preparations with the State to minimize the confusion and duplication of effort that could arise from separate endeavors.

Section 203. Conservation at Federal Facilities

This section requires federal agencies to implement conservation measures during electricity emergencies to reduce consumption by at least ten percent.

While we would support efforts to ensure that the federal government is a responsible electricity consumer, we would recommend the federal government conserve and practice energy efficiency throughout the western region, not simply in those states with declared emergencies. Moreover, we would urge the federal government to follow California government's lead in saving 20% during electricity emergencies.

Section 204. Daylight Savings Time

Section 204 authorizes the legislatures of California, Nevada, Oregon, or Washington to adjust the standard time in their respective states if necessary to help alleviate an electricity crisis.

The CEC has analyzed this proposal and believes it would be helpful in saving anywhere from 400 to 1600 megawatts on daily peak electricity demand depending on the time of year and weather conditions.

Section 301. Hydroelectric Power License Conditions

This section permits increased generation at licensed hydroelectric facilities to assist in a declared electricity emergency regardless of any adverse effects to natural resources.

The Federal Energy Regulatory Commission (FERC) has estimated that as many as twelve licenses could be modified to provide an additional 25 megawatts of electricity. However, there could be substantial and unwarranted costs in terms of damage to California's valuable natural resources, including water quality, adjacent land uses, and threatened and endangered species.

Section 306. Regional Transmission Organization in Western Region

This section would require the FERC to establish a single regional transmission organization (RTO) for the West if petitioned by ten or more western governors.

The establishment of a single RTO for the West is not the answer to this summer's electricity challenges. Moreover, California and other western states do not currently favor this one-size-fits-all approach. Instead, many states have applied to the FERC for approval of separate, smaller RTOs within the western region. We

believe the merits and form of an RTO are better left to these regional efforts and that a mandate from the federal government to form a single RTO is not helpful.

CONCLUSION

Mr. Chairman, this concludes my comments on the legislation. We hope to work together with you to resolve our concerns for the benefit of the people of California, the West, and the nation. We look forward to your cooperation in this endeavor. Again, I would like to thank you for the opportunity to provide input to the Subcommittee. I'd be pleased to answer any questions.